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OFFICE OF NATIONAL ESTIMATES

MEMORANDUM

Guyana: Burnham's New Nationalistic Course

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30 June 1971

CENTRAL INTELLIGENCE AGENCY

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SUBJECT: Guyana: Burnham's New Nationalistic Course*

NOTE

This memorandum examines recent developments in Guyana as a microcosm of the racial and nationalist trends discussed in ________ EMERGING BLACK NATIONS OF THE CARIBBEAN ________ Since the Estimate, Prime Minister Burnham has taken his country a long way toward nationalization of the major foreign bauxite company and is deeply involved in complex racial and political maneuvers. This paper assesses Guyana's situation and prospects, takes a new look at an old familiar figure, Cheddi Jagan, and offers some speculation on the question: Whither Burnham?

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Approved For Release 2007/03/07 : CIA-RDP79R00967A000300030001-5 S-E-C-R-E-T/

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^{*} This memorandum was prepared by the Office of National Estimates and coordinated within CIA.

- The recent moves of Guyana's Prime Minister Forbes 1. Burnham toward nationalization of the bauxite industry have brought him and his government to a critical stage and made clear the force of his socialist thinking in a way reminiscent of his early beginnings. Back in the early 1950's, Burnham, a black, worked closely with Cheddi Jagan, the Marxist leader of the more numerous East Indian population, for British Guiana's independence from Britain. They both espoused publicly some form of socialism for the country, although Burnham's views were influenced by his education in England and the antecedents of the British labor party while Jagan's were orthodox Marxist-Leninist. Together the two won the election of 1953 as co-leaders of the Peoples' Progressive Party (PPP) on a leftist program. But in the years following, the ambitious and highly pragmatic Burnham broke off from the largely East Indian PPP and set up his own party, the Peoples' National Congress (PNC). The ideological gulf between the two widened but became overshadowed by the racial rivalries the two leaders represented, plus their personal ambitions.
- 2. In the years since, the personal and political competition between the two strong contenders has dominated the scene. Cheddi tightened his control over the PPP, backed

by the considerable organizational talent of Janet, his
US-born wife, and won handily in the elections of 1957 and
1961. The growing racial tension and fears of Jagan's communist connections led to widespread violence in 1962-1964,
however, and the British decided to postpone independence.
Finally in 1964, Burnham, in coalition with a small conservative partner, the United Front (UF), was able to edge out
Jagan and form the government. This accomplishment was due
largely to a British formula for proportional representation
which favored the PNC. Two years later, with the more moderate Burnham installed as Prime Minister and with the qualms
about a communist Guyana under Jagan apparently laid to rest,
the British granted independence.

Burnham's New Look

3. Burnham has since steadily strengthened his hold on power. In the 1968 general election, he cut himself loose from the UF and the PNC won a parliamentary majority on its own, though the victory was tainted by charges of fraud. When Venezuela, anxious to force a 73-year old territorial claim against Guyana, supported a rebellion by some ranchers in a remote border area in early 1969, Burnham's security forces

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were able to nip the plot in the bud. The Venezuelan affair

nevertheless showed Burnham that the country was not as secure as he had thought, and it apparently reinforced his determination to follow a stronger nationalist course.

4. In foreign policy Burnham has moved steadily toward non-alignment. The new independent stance stems partly from a desire to disassemble the remnants of colonialism in Guyana and to disprove Jagan's charges that he owes his political success to US and British backing. Burnham shares with his more militant black followers a desire for closer identification with Black Africa and its revolutionary aspirations, and he hopes to advance himself as a Third World figure of In a dramatic appearance at the Lusaka non-aligned conference in Africa last September he strongly criticized Western foreign aid policies, denounced US involvement in Vietnam, and gave tangible support (in the form of a \$25,000 contribution) to Africa's "freedom fighters." In October he began to phase out all foreign volunteer programs in the country, including the US Peace Corps. In December he established non-resident diplomatic relations with the Soviet Union. To round out the new non-aligned look, he has pushed actively for regional integration and greater independence for neighboring island nations in the Caribbean basin. In this area he probably would like to become the leader of a future Caribbean

federation, bound by common economic and black racial ties. Short of that, he apparently hopes in the meantime to set himself up as the chief spokesman for the peoples of the black Caribbean.

In all this Burnham has been careful not to damage 5. irreparably his pro-Western credentials. Indeed, his foreign policy innovations have not alarmed traditional economic interests nearly as much as his new departures in domestic policy. The new look derives from the establishment of Guyana as the world's first "cooperative republic" in February 1970. Under this rubric Burnham is hoping to guide the country toward what he sees as a Guyanese-type of socialism which is neither capitalistic nor communistic. The "cooperative" concept, still ill-defined, is to be extended gradually: private, public, and cooperative sectors will coexist, but the cooperative sector will be favored and would ultimately dominate. To date some 1,000 small production and business cooperatives -- designed, in Burnham's words, to "make the small man a real man" -- have been formed, embracing fisheries, farms, cattle ranches, lumber businesses, and road building. To channel capital to the new cooperative sector, the government has set up a new National Cooperative Bank to supplement and compete with investments by the country's five

private commercial banks, all foreign-owned. Though the cooperatives established thus far have not been very successful, Burnham hopes their number will increase to several thousand over the next several years. The government is expected to encourage particularly the use of cooperatives to develop the largely untapped lumber and agricultural resources in the interior. It is also apparently considering the establishment of wholesale consumer cooperatives to handle food distribution and thus "break the merchants' food monopoly."

6. To back up the government's more aggressive economic role, Burnham is clearly moving toward a more authoritarian political style. During his African trip in September 1970 he was apparently much taken with the efforts of presidents Kaunda of Zambia and Nyerere of Tanzania to establish non-capitalist, non-communist societies. He was particularly impressed with their use of one-party rule as the main instrument for change. As a trial balloon upon his return, he proposed a similar system for Guyana, despite the country's deep racial and partisan divisions. Hostile reactions from the PPP and from within his own party quickly led Burnham to put the proposal on ice. His own personal inclinations toward authoritarian leadership, his apparent desire to emulate his African friends, and the very real need to broaden and consolidate his base of power if he is

to succeed in his new socialistic economic schemes -- all may induce him, however, to reconsider the idea at a more propitious moment.

The Guyanization of Bauxite

7. Last fall Burnham decided to push ahead with an ambitious nationalization program. His minimum objective, he implied, was majority government control of all enterprises engaged in extracting irreplaceable resources. Bauxite was clearly the priority target.* Two major foreign companies are involved: The Demerara Bauxite Company (DEMBA), a subsidiary of the Aluminium Company of Canada (ALCAN), is the larger. It produces about 3 million tons of bauxite annually or roughly one-third of ALCAN's total requirements. The DEMBA investment has a book value of around \$50 million and a "fair market value" of probably twice that. The Reynolds Metals Company, a US firm, has a smaller subsidiary and is less dependent on Guyanese bauxite. Its operation produces only 1 million tons annually or about 15 percent of the company's

^{*} Guyana has only one percent of the world's bauxite reserves and produces only 8 percent of free world bauxite production. This resource is important to Guyana's economy, however. Bauxite and alumina exports amounted to \$70 million in 1970, contributing 53 percent of total export earnings and about 10 percent of government revenues.

total requirements. Its book value is around \$20 million, and \$16.3 million of this is covered by a US government guarantee against expropriation.

- 8. In December Burnham began his move to "Guyanize" DEMBA, the more vulnerable of the two companies. He originally demanded a 70 percent share of control and profits, with compensation to be paid from future earnings. This was rejected by the company and negotiations stalled. Exasperated by ALCAN's unwillingness to meet his terms, Burnham decided on a complete takeover. A government-sponsored constitutional amendment empowering Burnham to proceed with full nationalization of the bauxite industry (including Reynolds as well as DEMBA) was approved by a special session of the legislature on 1 March.
- 9. The impasse with ALCAN over compensation has persisted, however. The company has rejected the government's demands that compensation be pegged to a valuation based on book value. It has also backed off from its earlier offer to purchase DEMBA's output under Guyanese control in declining quantities over a three-year period. At this writing the government is reported to have accepted ALCAN's final offer to buy 350,000 tons of metal-grade bauxite and 90,000 tons

of alumina during the remainder of 1971. It has also accepted ALCAN's bid to market the total output of calcined bauxite during this period.*

- 10. Burnham's biggest long-range problem is the lack of alternate marketing arrangements. Some indications of customer interest have come from Japan and Europe, particularly for calcined bauxite. The Soviet Union has also hinted that it may be willing to buy some Guyanese bauxite, perhaps hoping to get Burnham's agreement to a resident Soviet Ambassador in Georgetown as a quid pro quo. Despite the government's occasional claims to have enough new customers lined up to replace ALCAN, however, it is doubtful that it will find new markets sufficient to sustain sales of metal-grade bauxite and alumina at present levels, particularly at present prices.
- 11. Burnham is up against tough competition in trying to break into the world bauxite market which is dominated by six large North American and West European aluminum companies.

 Among this group ALCAN and Reynolds fear that Burnham's

^{*} Calcined bauxite, of which Guyana has a near-monopoly accounts for about 20 percent of the country's total production of bauxite. It is used for non-metallurgical purposes, chiefly in the production of heat-resistant and abrasive materials.

successful ousting of white foreign economic interests may have a strong psychological impact on black nationalist elements elsewhere in the Caribbean. The two companies are particularly concerned that the DEMBA nationalization will trigger a series of events which will ultimately jeopardize their larger holdings in neighboring Jamaica.* Jamaican Prime Minister Shearer has thus far held the line against serious restrictions on foreign investment, but he is not immune to growing pressures from his militant black nationalist opponents. Considering these uncertain prospects, ALCAN and Reynolds are not likely to go out of their way to make things easy for Burnham.

12. Processing bauxite is a complicated business and the Guyanese government may have real difficulties finding the financial resources or the trained personnel to keep the industry going. Almost all of the top DEMBA management personnel have opted to leave. The Guyanese government is trying to put together a new management team, including some

^{*} Jamaica supplies one-third of ALCAN's total bauxite requirements and one-half of Reynolds'. There are alternate sources under development elsewhere, e.g., in Australia and Guinea, but these will take time to develop and will entail higher transportation costs.

expatriates, but efficiency is likely to drop. It is also negotiating a \$4.4 million credit with Chase Manhattan for the purchase of machinery and spare parts, and it is trying to get additional working capital from US and British banks. In the negotiations, however, the bankers are insisting on quite stringent conditions. The government is also having difficulty in setting up new shipping facilities and in finding new permanent sources of caustic soda, an ingredient commonly used in the production of alumina and up to now supplied by ALCAN. Burnham is convinced that the aluminum companies and the US government are trying to frustrate Guyana's efforts to run DEMBA on its own and is talking of a national campaign to expose this situation. But he apparently still hopes that everything will come out all right in the end; the latest reports indicate that he has set July 15 as the date for the legal takeover of the company.

13. The nationalization of DEMBA will inevitably raise the question: When will it be Reynolds' turn? The nationalization law of March I provides the legal basis for such a takeover, but there are some important restraining factors involved in the case of Reynolds. Burnham will probably want to digest DEMBA first, to be sure that the government will be able to find new markets, cope with the

consequences of a probable loss in production and earnings, and still maintain popular support for the idea of nationalization. He may also hesitate to take on Reynolds for fear of cutting off possible technical assistance from that firm for the government's DEMBA operation. He may also fear that any move against Reynolds would create counterpressures in the US toward curtailing commercial credit to Guyana and reducing US aid or Guyana's earnings from its US sugar quota. Finally, he may calculate that by staying his hand against Reynolds he may be able to avert a possible boycott against Guyana by the world bauxite industry. Still, given the growing nationalist feeling in the country and Burnham's evident determination ultimately to remove all foreign control over Guyana's resources, it seems unlikely that he will permit the remaining foreign-owned bauxite producer to maintain its present independent status for long. At some point over the next couple of years, when he feels the economic and political factors are in his favor, Burnham is likely to move to "Guyanize" Reynolds in some form.

Other Problems

Meanwhile opposition to Burnham's more radical economic policies is growing within the influential commercial sector. Government pressure on banks and insurance companies to reinvest most of their income in Guyana has led local businessmen to suspect that the new cooperative republic will be built at their expense. Local entrepreneurs are particularly irate over the government's efforts to control prices and levy taxes on imports through a new External Trade Bureau (ETB). Strong business protests against the ETB's heavy-handed policies have only served to intensify the government's efforts against the private sector. If Burnham proceeds with plans to take over food distribution through wholesale cooperatives, the opposition of the business community will certainly grow. Increasing numbers of businessmen will regard the government's policies as an attempt to transfer economic power from East Indian, Chinese, and Portuguese traders and the large expatriate firms into black hands. This sort of thinking might in fact underlie Burnham's growing fight with the private sector. Following the pattern in some East African states, he might be hoping that by expanding the government's role in the economy,

he will be able to ensure continuation of black control over the economically powerful and faster growing East Indian community.*

- 15. As business opposition mounts, Burnham, always the pragmatic politician, might make a gesture toward closer consultation with the business community on the government's economic policies. But -- given the widespread popular support for nationalization, his own apparently strong determination to build his "cooperative socialist" state, and the pressures from his black consitituency for a larger voice and greater participation in the wealthy commercial sectors of the economy -- it is unlikely that he will backtrack very much from his present course.
- 16. The combined effect of nationalization and tighter government control over business is certain to dampen the prospects for new private investment and to slow or perhaps halt economic growth. Despite the government's gain of DEMBA's

^{*} As of December 1970, the East Indians constituted over 50 percent of the population, then estimated to be around 780,000. Blacks and mixed blacks made up about 44 percent. The remaining 6 percent were mainly Chinese, Portuguese, and Amerindians.

entire profits, its revenues from bauxite sales can be expected to decline with lower production and probable compensation payments to ALCAN. The likely impairment of Guyana's credit standing resulting from the nationalization and the worsening of economic conditions will make it more difficult for the government to borrow foreign funds. Thus, it is not likely to be able to increase its spending enough to avoid economic stagnation. Meanwhile, sugar production -- which accounts for 12 percent of GDP and 27 percent of export earnings -- remains vulnerable to threats of political disruption by Jagan's followers in the sugar workers union and, over the longer run, to shifting world markets.*

17. The drop in bauxite production and earnings will cause new political problems for Burnham, particularly if worker layoffs in the mines become necessary. Workers in the bauxite industry make up only around three percent of the

^{*} About one-half of Guyana's sugar is sold to the UK under the preferential British Commonwealth Sugar Agreement. The UK has successfully negotiated a continuation of its Commonwealth preferences at least through 1974 following its expected entry into the European Common Market. Another one-quarter of Guyana's output goes to the US, which is currently considering revision of foreign quotas under a three-year extension of the US Sugar Act. Present indications are that Guyana's quota will not change significantly.

total labor force. They are, however, well organized, almost solidly black, and normally provide an important political support for Burnham's government. In recent weeks their strong demands that pension rights and wages be protected under nationalization have caused the government considerable difficulties. Still, Burnham seems likely to weather these and other political troubles and will probably be able to muddle through over the next couple of years. Despite the economic squeeze, he is likely to gain new stature among his nationalistic admirers at home and abroad for his strong "anti-imperialist" stand. And he will have further undercut the position of his arch rival, Jagan, who has long demanded nationalization as a first step toward the creation of a Marxist socialist state.

Burnham's Political Course: Expanding Power and Growing Dissent

18. As economic problems loom, Burnham continues to tighten his political hold. Over the past year he has moved further to weaken Jagan's political base and to consolidate control of the PNC and the government bureaucracy. In the 1970 local elections the PHC won control of all local government councils. The land-slide victory was due to PNC strong-arm tactics and rigging of electoral procedures which prompted a PPP and UF boycott of most

of the races. Following up these political gains, Burnham has tried to make inroads into Jagan's traditional stronghold, the sugar workers, with a new government-sponsored labor union to compete with the PPP-controlled union. The result of all this has been to put Jagan and the PPP increasingly on the defensive, particularly in rural areas where the PPP has always been strongest.

- and Jagan, dissension with Burnham's authoritarian style and policies will probably continue to widen and to cause Burnham problems. The government's incursion into labor has antagonized many independent and hitherto docile labor leaders and workers who fear new government controls and further disruptions. Among conservative political and commercial elements, several new groups have arisen to protest what they consider to be threats to civil liberties and private enterprise. On the extreme left, a black group known as MAO (Movement Against Oppression) -- a strange mix of university intellectuals, Marxist radicals, and slum hoodlums -- has taken up a strong and potentially violent anti-government and anti-US stand.
- 20. An important influence on the political scene is the militant black power African Society for Cultural Relations

with an Independent Africa (ASCRIA). Formed in 1964, primarily as a pro-African educational and cultural movement, its leaders, including ASCRIA president Eusi Kwayana, now hold several key positions in the government and the bauxite workers union. Though its hard-core activists probably number less than 1,000, its circle of sympathizers appears to be growing. Kwayana is known to have significant personal influence with Burnham; and ASCRIA's anti-US, Third World views have probably contributed, sometimes importantly, to Burnham's more radical pronouncements and policies. More serious for the long-term, ASCRIA continues to foment racial antagonisms between blacks and East Indians, thus seriously undercutting the government's pretensions of building a unified, multiracial society.

21. Burnham is aware of the dangers of identifying too closely with ASCRIA; e.g., though the appointment was widely anticipated, he failed to name Kwayana to a cabinet post in a government reshuffle last January. The ability of ASCRIA to exert a sustained and organized pressure on the government is, moreover, uncertain; it failed rather spectacularly in an attempt in late April to organize a demonstration against the government's handling of a dispute with the bauxite workers. It thus appears likely that for now at least ASCRIA's influence on Burnham will

be held in check. Since Burnham's tactic of using and controlling ASCRIA is to meet part of its demands, however, the organization's anti-US and militant black nationalist views will probably continue to influence the government's policies. Kwayana is highly intelligent and a fanatic, and he sees himself as a potential contender for Burnham's mantle. Thus, over the longer term ASCRIA may well pose new political challenges and exert new pressures on Burnham, and its racist agitation could sow the seeds of new racial violence.

22. In the face of rising militancy by extremist elements, Burnham is relying on his security forces to enforce his policies and maintain order. The security forces -- a 1,600-man Guyana Defense Force and a 2,200-man Police Force -- are predominantly black, and Burnham has taken steps to ensure their loyalty. Since the revolt of pro-Venezuela settlers in the interior in 1969, the Defense Force has been expanded and improved, efforts to achieve a better racial balance have been dropped, and security checks have weeded out dissidents. Though probably unable to deal with a major invasion or widespread violence, the two units together appear capable of coping with isolated racial or political disorder.

Prospects: Burnham vs. Jagan

23. For some time to come, the main contender for power and influence will continue to be the country's only other political strongman, Cheddi Jagan. At the moment Jagan's fortunes appear to be ebbing: the morale of his PPP followers has sagged and the party's organizational effectiveness has eroded, due to steady government and PNC pressures and to Burnham's successful preemption of the PPP's socialistic line. Jagan's position has also been weakened by his open subservience to the Soviets on all important international issues. His attempts to reorganize the PPP into a disciplined Marxist-Leninist party on the Soviet model have had little effect on the generally apathetic party, and they have disillusioned many of his old comrades who do not consider themselves communists. While Jagan still retains considerable charismatic appeal among the East Indian community, he is finding it difficult to hold his party together and to attract new support. This is due in part to the fact that his wife Janet, his main source of strength and political talent, has become less actively involved in PPP affairs since whe underwent major surgery in January 1970. On the larger political scene, his difficulties appear to stem largely from his continuing reliance on Moscow's whims and Marxist formulations rather than Guyanese realities as political guides.

- It is possible that at some point Jagan, feeling his 24. back is to the wall, may again turn to disruptive tactics, as in the sugar strike of 1970. But he is acutely aware that his East Indian followers would be no match for Burnham's better organized blacks, backed by the government's security forces. In any event, plans for a violent confrontation with Burnham would probably be strongly discouraged by Moscow, which appears to be looking increasingly for opportunities to influence and encourage Burnham toward an anti-US line. Despite his continuing revolutionary rhetoric, Jagan thus appears resigned, for now at least, to stick to the via pacifica. In this he has probably been encouraged by the fact that his Indian majority is increasing at a faster rate than Burnham's blacks. He is probably hoping that Burnham's nationalization program will lead to economic chaos and thus propel him into power in the elections scheduled for 1973.
- 25. We suspect, however, that Jagan is underestimating Burnham's potential for survival and his will to rule. It is unlikely that Burnham's black supporters would permit the election of any government controlled by East Indians. Despite the prospect of economic stagnation, moreover, Burnham's political base is widening and his ability to arouse support for his

policies is growing. Even if his nationalization programs are counted as economic failures, short of a total shutdown of the bauxite industry -- which is not likely -- Burnham will probably be able to maintain strong popular support for his efforts to remove foreign domination of vital national resources. Over the next two years he will be in a good position to strengthen black control over more sectors of the economy and to further weaken Jagan's political base. If it becomes clearly necessary to offset the East Indian edge in population growth, he will probably be quite willing and able to rig the next elections, to the degree necessary, to ensure another PNC-controlled government under his leadership after 1973.

26. Despite the competition and many deep differences between Burnham and Jagan, we do not rule out some sort of truce or understanding between them on important national issues. In early March the two agreed publicly to a "peace plan" which promised the PPP a greater role in certain agencies and more freedom to operate in exchange for PPP support for the government's nationalization bill. These concessions and others like them will probably turn out to be more gesture on Burnham's part than substance. But as his economic problems mount, however, Burnham may find it expedient to blur ideological differences with his rival. He

may calculate that he can advance his plans by appealing to a broad nationalist consensus through some sort of tactical arrangement with Jagan.* He would not permit such an arrangement to become an alliance between co-equals or a revival of his and Jagan's political camaraderie of the 1950s. But he might hope that it would provide a convenient window-dressing and a means of bringing the more tractable East Indian elements under government control and thus help lay the basis for an eventual multiracial or, conceivably, one-party system.

27. Jagan, on the other hand, might see such an arrangement as a way of recouping lost political support by associating himself with the political appeal of Burnham's nationalist policies. If he concludes that both the violent and peaceful electoral paths are being foreclosed for him, he may hope that by seeming to cast his lot with Burnham he may keep open his last chance for at least a share of power. Given the strong personality differences between the two men, however, a tactical association of this sort would be

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^{*} At the time of the threatened Venezuelan invasion in 1969, Burnham talked of the need for a "national coalition", to include Jagan, with the understanding that a truce would have to be called "for the duration" of the internal struggle between the two leaders and the two races they represented.

unlikely to last very long. Jagan would probably find his leadership role increasingly eclipsed by Burnham's growing political strength, particularly if he persisted in his servile ideological fealty to Moscow. One way or another, therefore, the odds would seem to favor Burnham ending up eventually as Guyana's only strongman. With or without Jagan, the growing authoritarian cast to Burnham's government and the sharp anti-US, racial overtones of his political course are likely to make US-Guyanese relations increasingly difficult in the years ahead.

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